

Part II. Explanation of Financial Results

1. Overview of FY 2010 Full-Year Financial Results

Business Environment

During fiscal 2010 (April 1, 2010 – March 31, 2011), the overall business environment in which the Fujitsu Group operated was characterized by a mild recovery, mainly attributable to higher demand in China and other emerging markets, despite high unemployment in Europe and the US as well as fiscal austerity measures and continued concerns about the stability of European financial markets. In Japan, the business environment had been experiencing a mild recovery, with an improvement in employment conditions, a recovery in capital spending, and a rising trend in exports, particularly in the first half of the fiscal year. The second half of the fiscal year, however, was witness to an increasingly severe business environment with government incentive policies running their course and an ongoing appreciation of the yen. Then, with the Tohoku earthquake that hit on March 11, 2011, the recovery came to a sudden halt and the country's near-term economic prospects are looking ever-more uncertain.

With respect to investment in information and communication technology (ICT), there were signs of recovery, particularly in the first half of the fiscal year in the ICT hardware area. Overall, however, amid a persistently cautious approach to investments, there are concerns that the currently severe conditions will continue with the apparent postponement or cancellation of investment projects that arise from corporate stagnation following the earthquake disaster.

Full-Year Financial Results

(Billion Yen)

	FY 2010 4/1/10- 3/31/11	FY 2009 4/1/09- 3/31/10	FY 2008 4/1/08- 3/31/09	Change		Change vs. Jan. 2011 Forecast
					Change (%)	
Net Sales	4,528.4	4,679.5	4,692.9	-151.1	[0]* -3.2	-41.5
Cost of Sales	3,270.9	3,436.4	3,491.5	-165.4	-4.8	
Gross Profit [Gross Profit Margin]	1,257.4 [27.8%]	1,243.1 [26.6%]	1,201.4 [25.6%]	14.3 [1.2%]	1.2	
Selling, General and Administrative Expenses	1,124.8	1,148.7	1,132.7	-23.8	-2.1	
Operating Income [Operating Income Margin]	132.5 [2.9%]	94.3 [2.0%]	68.7 [1.5%]	38.2 [0.9%]	40.5	-12.4
Other Income and Expenses	-30.4	18.3	-182.0	-48.7	-	
Net Income	55.0	93.0	-112.3	-37.9	-40.8	-19.9

*Excluding the impact of exchange rate fluctuations (%)

FY 2010 Quarterly Breakdown of Results

(Billion Yen)

		1Q	2Q	3Q	4Q	Full-Year	Change vs. Jan. 2011 Forecast
Consolidated	Net Sales	1,047.2	1,100.1	1,096.4	1,284.5	4,528.4	-41.5
	Operating Income	10.0	37.1	21.2	64.1	132.5	-12.4
	Change from FY 2009	47.1	18.2	-12.3	-14.8	38.2	
Results by Business Segment							
Technology Solutions	Net Sales	665.7	735.0	718.1	895.4	3,014.3	-35.6
	Operating Income	8.5	47.7	24.9	81.5	162.8	-2.1
	Change from FY 2009	19.9	5.1	-6.6	-9.1	9.2	
Ubiquitous Solutions	Net Sales	276.8	264.3	289.5	294.8	1,125.6	-19.3
	Operating Income	10.6	4.4	3.6	3.8	22.6	-7.3
	Change from FY 2009	-1.1	3.2	-12.5	-7.4	-18.0	
Device Solutions	Net Sales	158.5	161.1	155.3	155.5	630.6	-9.4
	Operating Income	6.0	5.2	8.4	1.2	20.9	-2.0
	Change from FY 2009	22.1	7.1	5.1	-4.5	30.0	

*Comparisons with the prior fiscal year are for operating income in each period.

FY2010 Major Items in Other Income and Expenses

(Billion Yen)

Item		FY 2010	Description
Income	Gain on Sale of Investment Securities	9.3	Gain on sale of shares in affiliated companies held by UK subsidiary
Expense	Loss on disaster	-11.6	Loss on disaster caused by the Tohoku earthquake of March 11, 2011
	Cost of restoring damaged assets	-8.6	Includes cost of restoring damaged plant and equipment, loss on disposal of inventories, and expenses associated with assisting customer recovery
	Fixed costs incurred during production stoppages	-3.0	Includes overhead costs, such as personnel cost and depreciation expenses incurred during production and work stoppages (including those caused by scheduled blackouts by utility companies)

Recovery Status of Fujitsu Group Production Facilities Affected by the Tohoku Earthquake and Scheduled Electrical Blackouts

Business Segment	Products	Plant Name	Location	Recovery Status
Device Solutions	Fab-semiconductor manufacturing (front end)	Fujitsu Semiconductor Limited (FSL) - Iwate Plant	Iwate Prefecture	- Operations have partially resumed as of April 3, 2011.
		Fujitsu Semiconductor Limited (FSL) - Aizu-Wakamatsu Plant	Fukushima Prefecture	- Operations have partially resumed as of March 28, 2011.
		Fujitsu Semiconductor Technology (FSET)	Fukushima Prefecture	- Operations have partially resumed as of March 28, 2011.
	Fab - semiconductor manufacturing (back end)	Fujitsu Integrated Microtechnology Ltd. (FIM) - Miyagi Plant	Miyagi Prefecture	- Operations have partially resumed as of March 23, 2011.
	Semiconductor testing center	Fujitsu Integrated Microtechnology Ltd. - Main plant (FIM) - Aizu HQ and plant	Fukushima Prefecture	- One part of the testing process has resumed operations as of March 18, 2011.
Technology Solutions Ubiquitous Solutions	x86 servers	Fujitsu Isotec Limited (FIT)	Fukushima Prefecture	- Resumed operations as of March 23, 2011 - Fully operational at 100% production capacity as of March 28, 2011
	Desktop PCs			- One part of the production process has resumed operations at Shimane Fujitsu Limited (SFJ) as of March 23, 2011. - Operations have partially restarted as of March 28, 2011
	Printers			- Resumed operations as of March 22, 2011
	Equipment relating to power supply	Fujitsu Telecom Networks Limited (FTN) - Furudono Plant	Fukushima Prefecture	- Resumed operations as of March 22, 2011
	Mobile system products, mobile phones, etc.	Fujitsu - Nasu Plant	Tochigi Prefecture	- Continued operations except during the planned rotational blackout periods
	Advanced optical transmission devices, optical component products, etc.	Fujitsu - Oyama Plant	Tochigi Prefecture	- Continued operations except during the planned rotational blackout periods

As of April 20, all affected plants have returned to full production.